Jupiter Investment Conference 2025

11th – 12th June

Why Europe?

JUPITER ASSET MANAGEMENT

Investment team

Working together since May 2017

Chris Legg
Investment Manager

- Co-Manager and Senior analyst of European Equity funds at GAM for seven years 2017-2024
- Previously, he was an analyst at AC Limited (Dubai), PIMCO (London), Nevsky Capital (London) and Credit Suisse (London)
- He began his career at PwC where he received the ACA qualification
- Chris holds an MSci (Hons) in Mathematics from Bristol University

Christopher Sellers
Investment Manager

- Co-Manager and Senior analyst of European Equity funds at GAM for ten years 2014-2024.
- Previously, he was a member of Morgan Stanley's Equity Research department in London. He began his career there in 2010 as an analyst
- Christopher holds a BA in Classics from the University of Oxford

Niall Gallagher
Investment Manager

- Lead manager of GAM European funds 2009-24
- Previously worked as a portfolio manager managing Continental and pan-European equities at T. Rowe Price for two years and Blackrock for nine years
- Niall holds a BA in Economics from Manchester Metropolitan University, an MSc in Economics and Finance from Warwick University, and is a CFA charter holder

Source: Jupiter.

A new regime for global equity investors

The revenge of Trump Economics and the need for diversification

For the last 40 years the US has run a large current account deficit of c.3% of GDP financed by a large capital account surplus.

- this has led to a large and sustained global accumulation of US assets, particularly Financial Assets
- this flow of capital has powered the outperformance of US equities 2010-24
- The Trump Administration wants to reduce / eliminate the current account deficit
- this necessitates a collapse in the capital account surplus i.e. a large reallocation away from the US at a point in time when
  - US equity share of MSCI World is at multi-decade highs
  - US equities are trading at a large valuation premium to non-US equities
  - US market concentration is at multi-decade (unprecedented?) highs

Trump 2016-20 focused on juicing the stock market.

Will Trump 2024-28 be more about fighting the bond market?

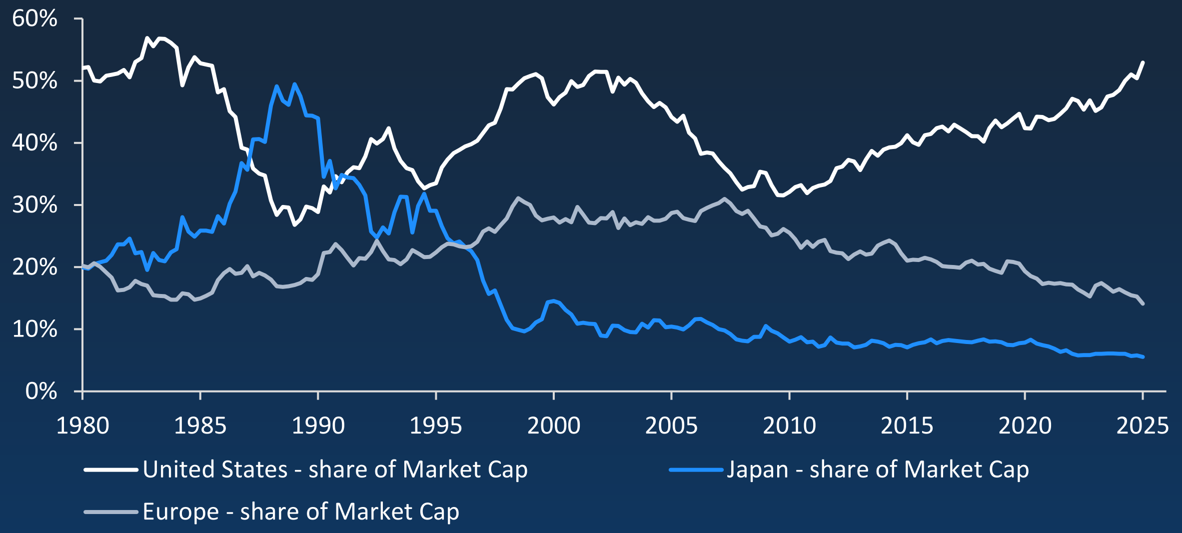
The views expressed are those of the presenter at the time of preparation and may change in the future.

Source: Goldman Sachs Investment Research, as at 01.01.25; SG Cross Asset Research.

US equities – the only show in town 2010-25

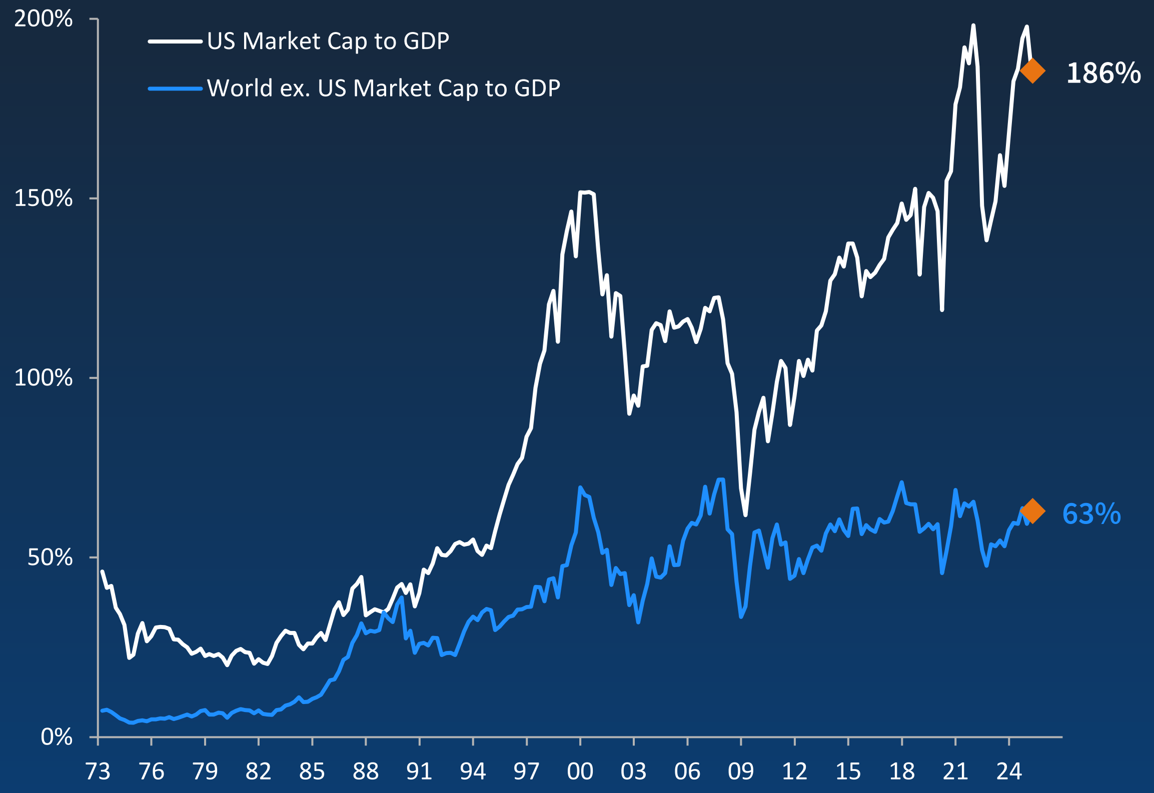
US equity market capitalization relative to GDP has risen to all time highs

Regional share of World* Market Cap



	US	Europe	Japan
Share of World GDP (2024)	26%	20%	4%
Share of World Market Cap* (1Q25)	53%	14%	6%
Ratio - Current	2.03x	0.72x	1.40x
Ratio Peak	2.09x	1.12x	3.24x
Peak Year	1980	2001	1988

Market Cap to GDP



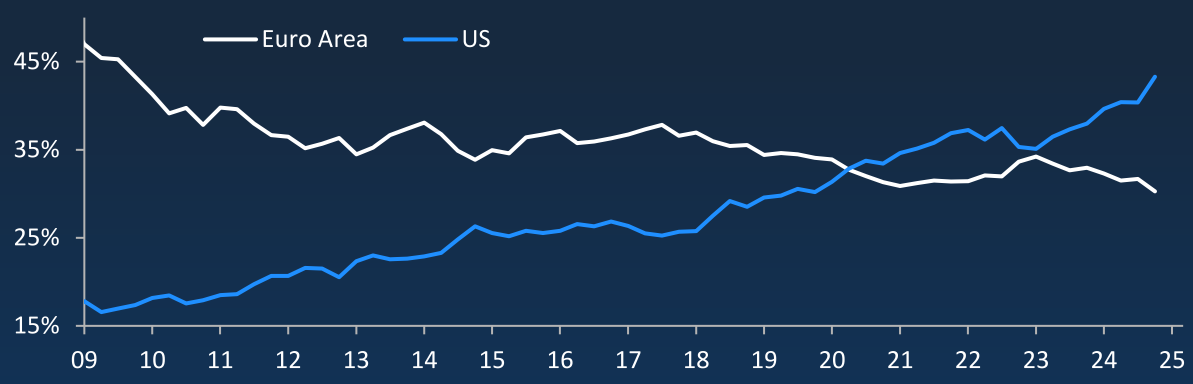
Source: Goldman Sachs Investment Research, as at 01.01.25; Worldscope *MSCI AC World.

Global capital has financed the US current account deficit

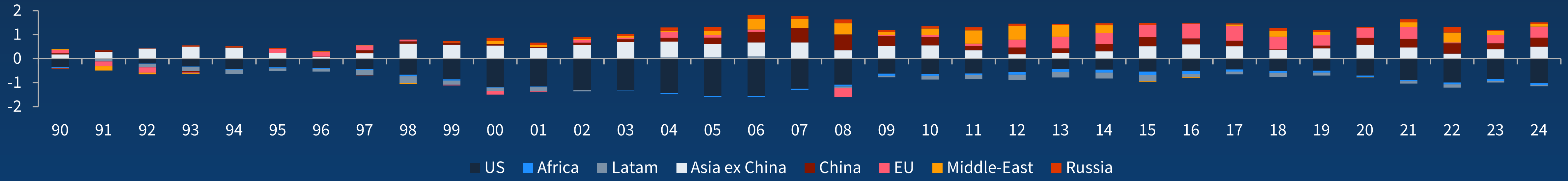
European investors have given up on their own markets

Current account balances, % of GDP

Half of European equity fund holdings are now in the US*



Current account balances, % of world GDP



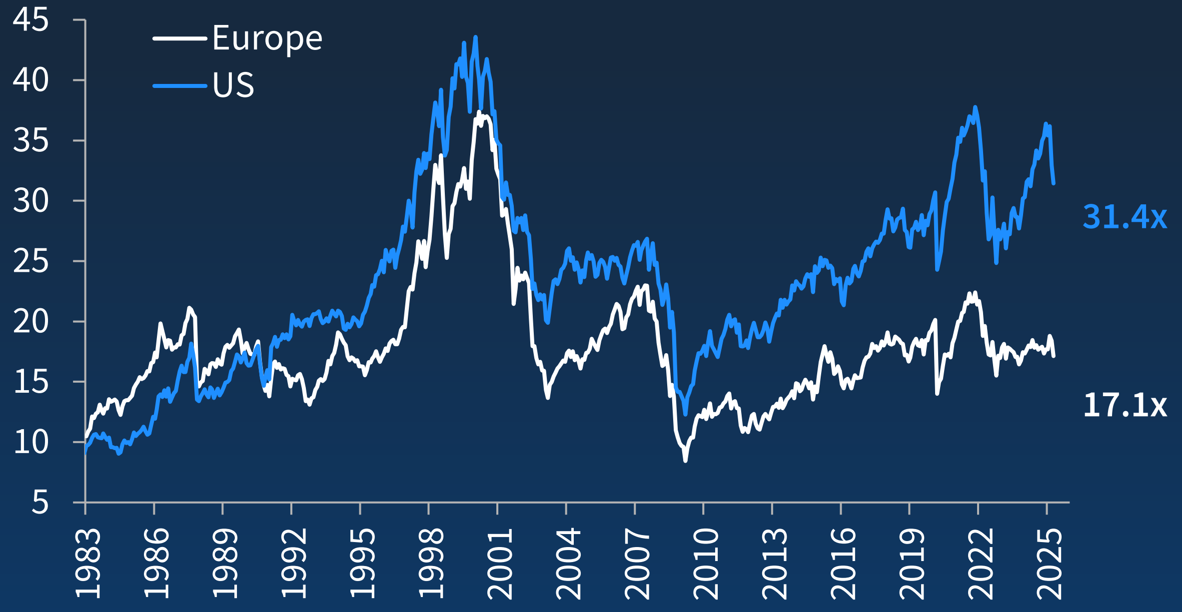
Source: Goldman Sachs Investment Research, as at 01.01.25; SG Cross Asset Research.

*Euro Area Investment Funds holdings in US and Euro Area equities (% of total equity holdings). Data to 4Q24.

US equity valuations remain close to historic highs

US corporate profitability is at peak levels entering a global trade war

Cyclically Adjusted PE – US vs. Europe



Return on Equity (ROE) – US vs. Europe

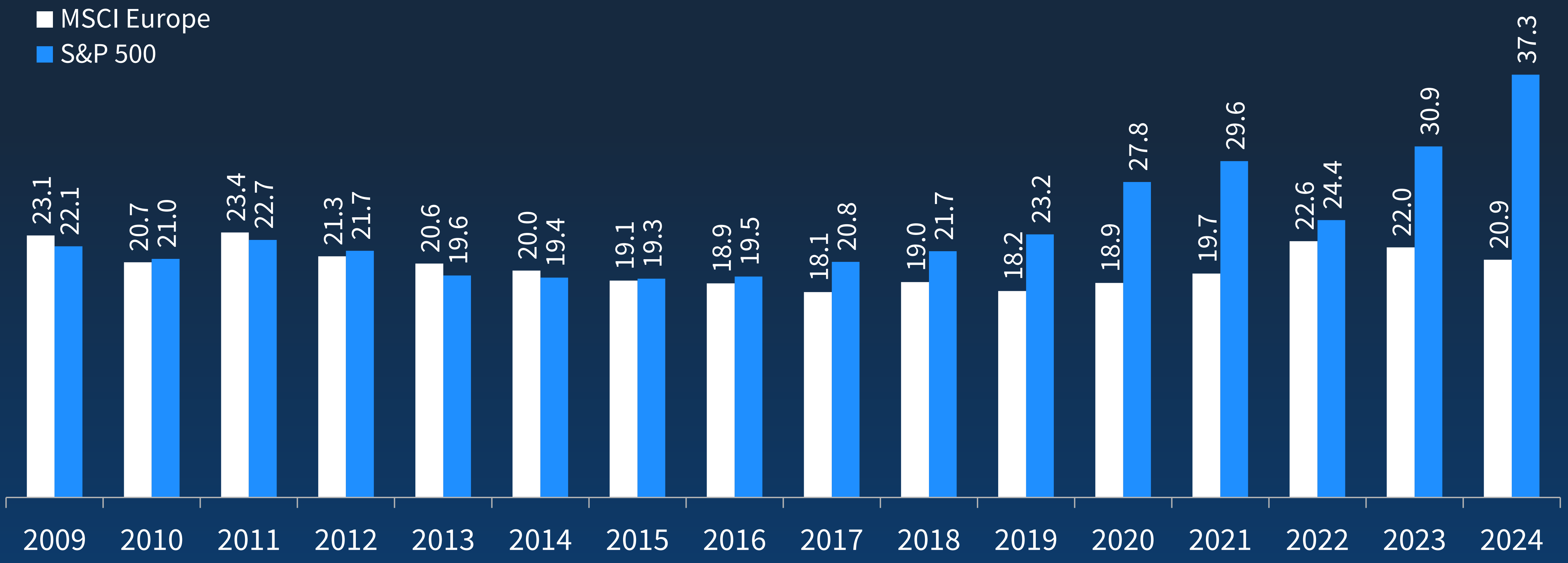
The US market trades at the 85th percentile of its 50 year history. Europe trades at the long-term average

Past performance is not a guide to future performance.

Source: LHC - Goldman Sachs Investment Research, as at 05.04.25; RHC - Morgan Stanley, MSCI .

US market concentration is increasingly uncomfortable

Market concentration of top 10 constituents as % of market cap

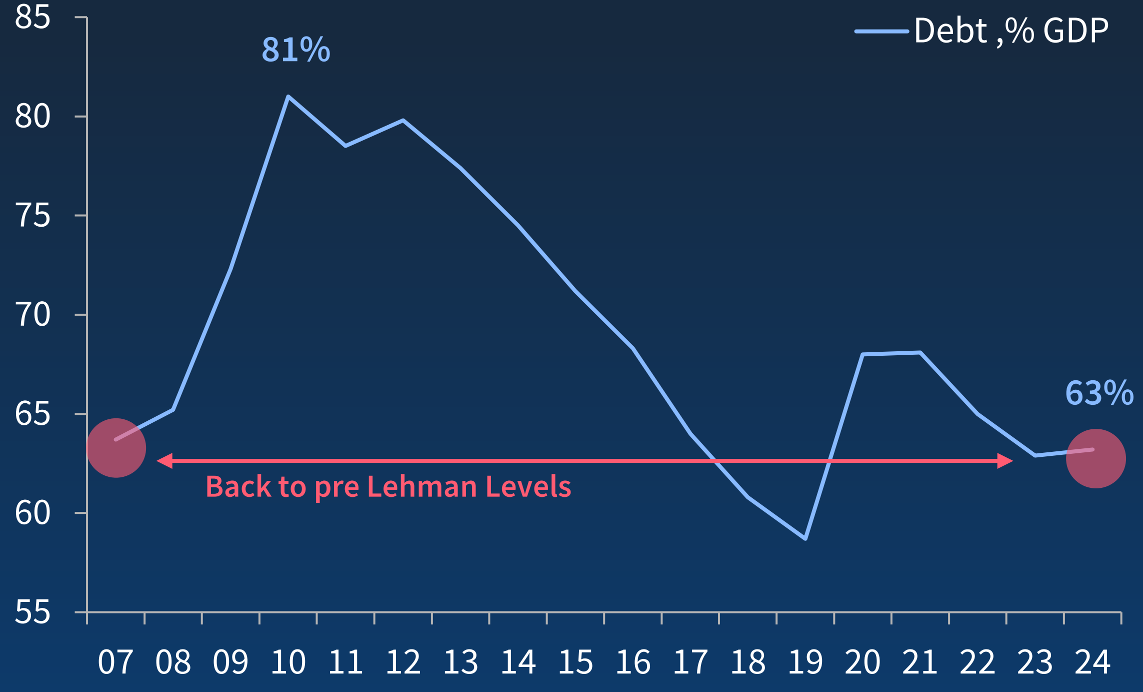


Source: Jupiter February 2025. Market concentration is market cap of top 10 constituents as % of index market cap.

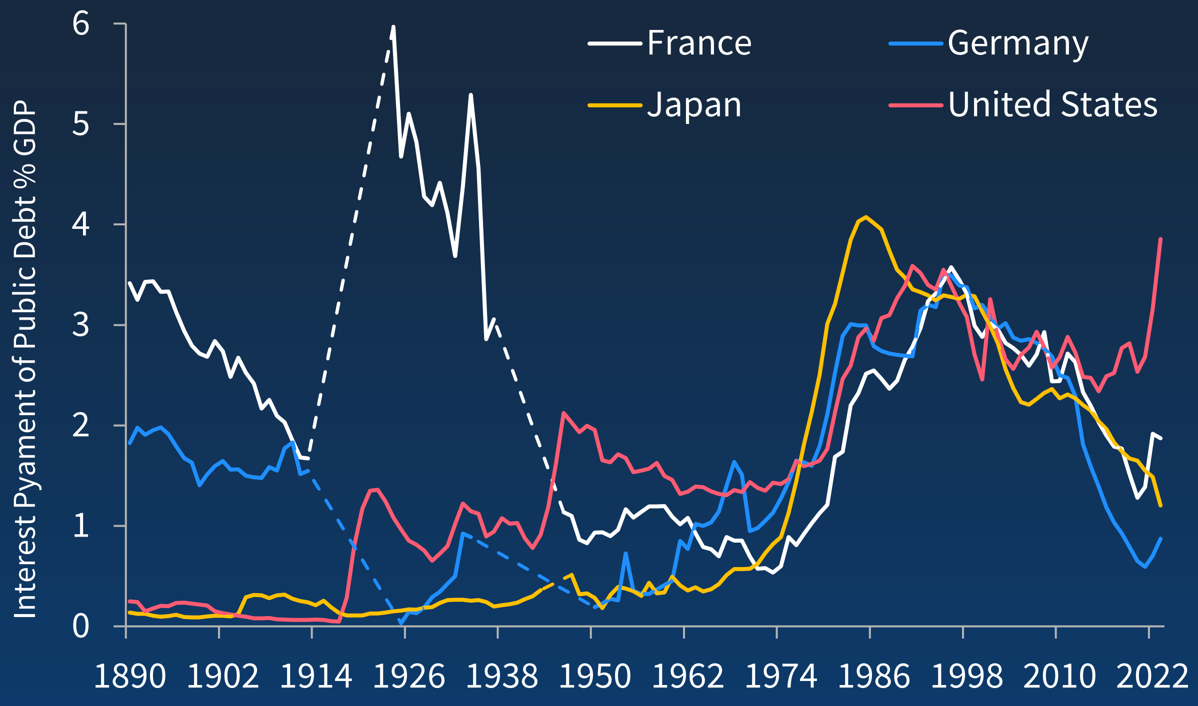
What about Europe?

Unparalleled latitude for fiscal activism to the US

Germany releases the brakes?



Interest paid on public debt, percent of GDP

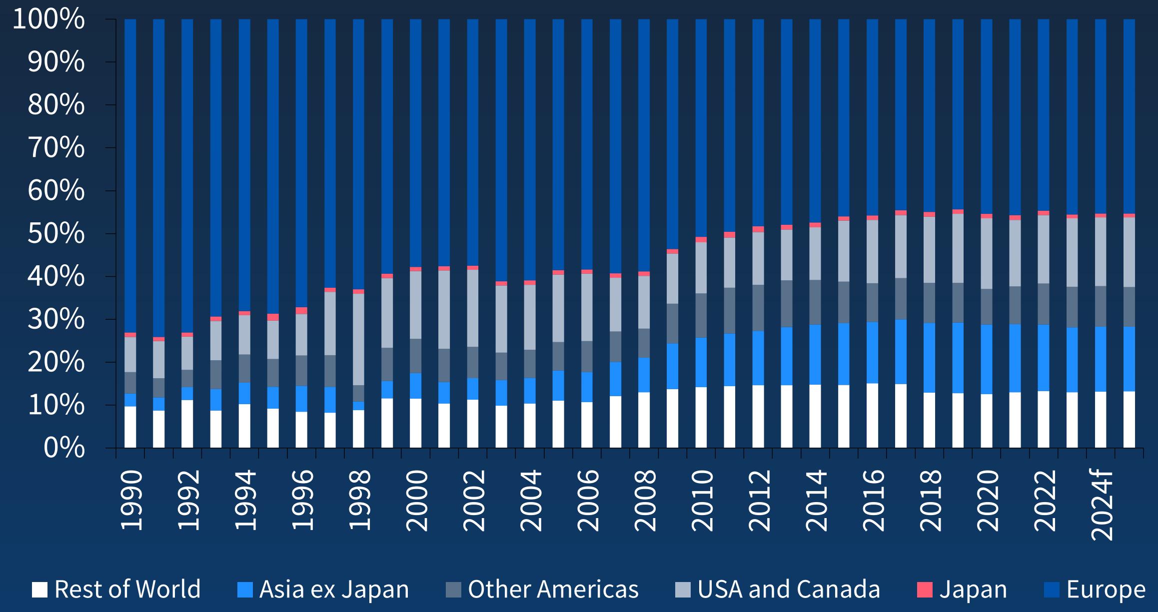


Source: RHC -IMF Public Finances in Modern History, as at 31.12.23. LHC - SG Cross Asset Research/Global Asset Allocation, as at 31.12.24.

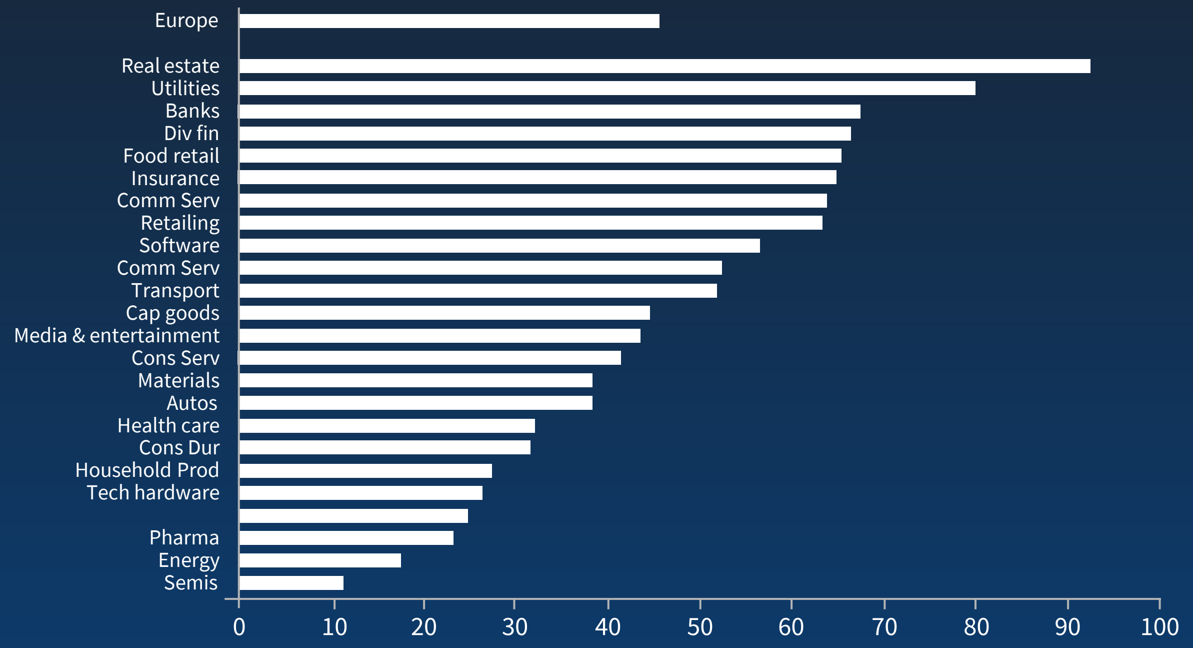
European Equities – Revenue exposure breakdown

European equities have a balanced exposure to Europe and non-Europe

Less than half of European equity revenue derives from Europe



Financials contribute most to domestic revenue



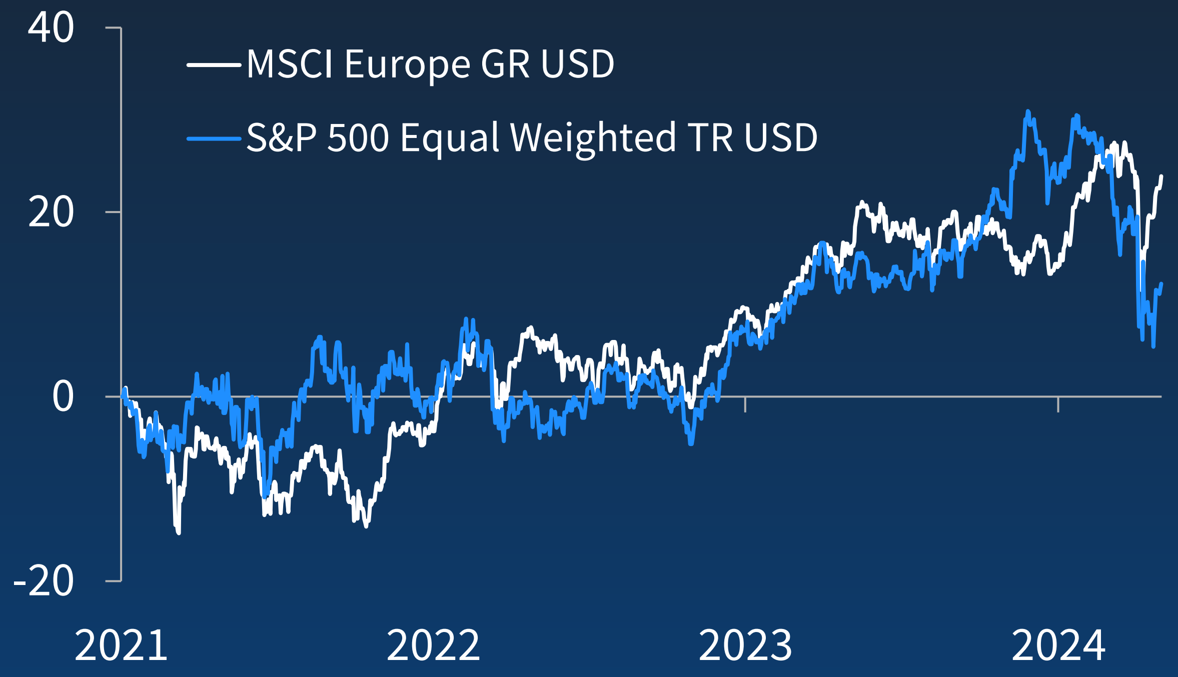
Most technology, healthcare, consumer and industrial companies are global

Source: Redburn, Factset, Morgan Stanley, 2023.

European equities – recent performance vs. US equities

The MAG7 heavily distorts the broader picture

European equities have out-performed the SPW since the Ukraine war



MAG7 vs MSCI Europe Banks (TR USD

Past performance is not a guide to future performance. The value of investments can go down as well as up and is not guaranteed.

Source: Jupiter, Morningstar, as at 30.04.25. MAG7 - Alphabet, Apple, Amazon, Meta Platforms, Microsoft, Nvidia, Tesla.

The Investment Map

European equities in the context of global trends

1

"Normal for longer" interest rates

- Interest rates and bond yields were abnormally low for extended period
- Low rates/yields are difficult for European banking sector profitability
- A reversion to normal rates and yields is transformative to banking sector earnings / ROE
- Normal rates and yields may challenge newer business models built on assumption of zero rates

2

Digital transformation and AI readiness

- Companies accelerating digital transformation and cloud transition to enable AI
- Availability of low latency connectivity and ubiquitous compute drives more silicon and creates room for new business models
- Doing more with data – opportunity to develop leading domain specific AI applications trained on unique and valuable content
- Continued shift from offline to online / omnichannel commerce and services

3

Capex super cycle & decarbonization

- OECD physical capex needs to pick up significantly
- Areas for investment: infrastructure, buildings, mobility, electrification and industrial process
- Decarbonisation remains an imperative globally
- Greater focus on supply chain resilience
- Higher European defence investment
- Energy / resource capex also needs to pick up significantly and will likely be in focus due to bottlenecks / shortages / lack of system resilience

4

Rise of the Asian middle class

- Rise of the Asian middle class is a key global trend
- 1bn new middle class consumers globally by 2030 with Asia the epicentre
- Asia will be 2/3rds of global consumption by 2030 and will likely dominate
- European-listed companies dominate high-value consumer and are best positioned

5

An era of higher resource prices

- Resources sectors, especially energy, have seen a serious drop in capex over the last decade
- Supply growth is falling more quickly than demand growth in energy, pushing prices
- Mining investment is insufficient to meet needs of the energy transition
- Higher resource and electricity prices are likely for an extended period, a result from serious policy failures

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